

# **EXHIBIT A**

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The B.S. Report: 8/12

Bill Simmons squares off with  
NBA commissioner David Stern over the NBA lockout.  
Is the league doing enough to save the season?

1 (Opening theme)

2 MR. SIMMONS: Welcome to The B.S.

3 Report. I'll skip the intros today  
4 because we have the commissioner of the  
5 NBA on the Subway Fresh Take Hotline.  
6 He's in Springfield right now for the  
7 Hall of Fame ceremonies, and he's here  
8 right now.

9 David Stern, what's happening?

10 MR. STERN: It's great in  
11 Springfield. We had a very nice dinner  
12 last night; Jim Durham, Alexander Wolff,  
13 Brian McIntyre were honored. Three  
14 winners of the Mannie Jackson  
15 Humanitarian Award. It was really a fun  
16 night, and all of the inductees that are  
17 going into the hall tonight were there.

18 MR. SIMMONS: No Reggie Miller,  
19 though. Didn't make the cut this year.

20 MR. STERN: You know, I don't -- I  
21 don't make the decisions at the Hall of  
22 Fame.

23 MR. SIMMONS: I know you don't.

24 Hey, is there any chance that you're  
25 going overseas to be a commissioner of

1           some European league that I don't know  
2           about?

3           MR. STERN: I might. Why?

4           MR. SIMMONS: I don't know. It  
5           seems like the in thing to do right now.  
6           Everybody's going overseas. Everybody's  
7           threatening to go overseas.

8           MR. STERN: Oh, you know, I'd  
9           consider my options. It depends. No,  
10          it's -- it's -- all that stuff is better  
11          to read about than to actually do. But  
12          for players who are at the margins of  
13          their team, I can understand why they  
14          would get a good deal overseas and play.  
15          The one thing that's great about our  
16          sport is the number of, you know, very  
17          good basketball players that there are.

18          MR. SIMMONS: Right. I gotta be  
19          honest. I think this is the maddest I've  
20          ever been at you.

21          MR. STERN: That's okay. That's why  
22          I -- always a pleasure to speak to you.  
23          Usually to --

24          MR. SIMMONS: Well --

25          MR. STERN: -- it's usually to set

1           you straight.

2           MR. SIMMONS: Well, in this case,  
3           it's going to be a lot harder to set me  
4           straight because I don't like where this  
5           is going. I don't understand where the  
6           urgency is. I don't understand why  
7           people don't seem to care more that you  
8           guys had an unbelievable season last year  
9           and things were set up for an even better  
10          season this year. I just feel like you  
11          and Billy Hunter should be locked in some  
12          crappy hotel room until you figure this  
13          out. Where is the urgency right now?

14          MR. STERN: Well, I would say that I  
15          remain optimistic that we're going to  
16          make a deal. And I think that the  
17          urgency is set in a certain way by the  
18          rejection of our underlying premise, that  
19          is, this is the time to have a reset,  
20          this is the time to try to hold for the  
21          players most of what they have, and you  
22          know, and sort of grow our way out of the  
23          situation we find ourselves in. The  
24          players very strongly disagree, and at  
25          this point, don't even want to discuss

1           it. In other words, we said to them, the  
2           average salary is over five million  
3           dollars. We think that we can keep your  
4           compensation, including benefits, at that  
5           number. That about makes you the highest  
6           paid union in the world. And we're going  
7           to keep it at that while we grow our way  
8           out of this.

9           MR. SIMMONS: Yeah.

10          MR. STERN: And the players throw  
11          around words like "greedy", "arrogant"  
12          and a variety of other things that would  
13          tend to inflame things, and I think our  
14          owners have been remarkably calm because  
15          the logic of where we're going is hard to  
16          disagree with. We need a reset in the  
17          amount of compensation. We need, sort  
18          of, shorter contracts so we can align pay  
19          with performance, and we need to get a  
20          little bit more competitive. It's not  
21          brain surgery.

22          MR. SIMMONS: Right, but to be fair,  
23          they made you a proposal, and as far as I  
24          know, you guys didn't make them an  
25          official counterproposal.

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1 MR. STERN: Well, at some point,  
2 when the proposal is that in light of  
3 today's economics, we would like to go in  
4 six years from a five million dollar  
5 average to a seven million dollar average  
6 salary, it really makes no sense. None.  
7 And doesn't even begin to respond to the  
8 issues that, you know, you've commented  
9 on and that we've discussed with them.

10 So I think the logic is so  
11 compelling that when the players get  
12 briefed on where we are and they  
13 understand it so we can get rid of a lot  
14 of the debris that somehow has been  
15 thrown in here, then this will -- this  
16 will begin to move.

17 MR. SIMMONS: Yeah, but at the same  
18 time, they made a proposal. Like, if I'm  
19 trying to buy a car from you, and I offer  
20 you 15,000 and you say no way, no way,  
21 and you don't even tell me what the price  
22 of the car is, how can I buy the car?

23 MR. STERN: Well, actually, we said,  
24 why don't you sit down and let's discuss  
25 it, and we had a meeting set up for

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1           yesterday. And then, you know, Adam  
2           Silver spoke to Ron Klempner. I spoke to  
3           Billy. And in effect, they said to us,  
4           the same way, they said it, our guys  
5           don't want to have a meeting unless  
6           you're going to make a new proposal. And  
7           we said, well, it's too bad. So they  
8           cancelled the meeting because we wanted  
9           to talk about it. You never know what  
10          comes out in a conversation. But that's  
11          their right, and I understand that. It's  
12          not a big deal. They've got a lot of  
13          education to do with their players. You  
14          know that as well as I do.

15               MR. SIMMONS: Yeah, but it doesn't  
16               seem like this is rocket science. Like,  
17               you have -- the players are getting  
18               fifty-seven percent of the basketball-  
19               related revenue right now; it's too high.  
20               The contracts can go up to six years;  
21               that's too long. We should go shorter  
22               contracts, and if you did a fifty-fifty  
23               split, aren't we, like, two-thirds of the  
24               way there?

25               MR. STERN: You don't know -- you



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1 don't know the numbers exactly, but we'd  
2 like to take out some more expenses, and  
3 then have a fifty-fifty split after the  
4 expenses, and we said that.

5 And the big issue is we have asked  
6 the players to take an eight percent cut.  
7 And the players have said --

8 MR. SIMMONS: What, do you mean a  
9 pay cut from the salaries they're already  
10 getting?

11 MR. STERN: From the 2.2 billion  
12 dollar total --

13 MR. SIMMONS: Got it.

14 MR. STERN: -- our proposal was two  
15 billion and hold it while we try to grow  
16 out of where we find ourselves. And if  
17 we do very well, and we grow more than,  
18 let's say, four percent a year, they'll,  
19 under our projections and theirs, they'll  
20 do better than two billion dollars, and  
21 it'll start to grow. And they know that.

22 And so when they came back and they  
23 said we've got a better idea; you should  
24 give us a thirty-five percent increase  
25 over six years and it should go from 5.1

1 million, or whatever the exact number is,  
2 to 7.1, we said whoa, whoa. We're not  
3 even on the same planet, no less the same  
4 ballpark, to use another sport.

5 MR. SIMMONS: Well --

6 MR. STERN: But I think -- but I  
7 think it has to sink in because from what  
8 I read, and you know it, we've got  
9 individual players saying, well, they're  
10 not showing us the book. Wrong. We've  
11 given them the books. And behind closed  
12 doors, we're well past that. You know,  
13 you can argue whether we lost 300 or 150  
14 or whatever, and this is about  
15 profitability. We've got to make it  
16 profitable.

17 MR. SIMMONS: Right.

18 MR. STERN: Which is what you do in  
19 collective bargaining. And after you  
20 make it profitable, then you say, okay,  
21 there's a huge disparity of profits, so  
22 we're going to have revenue sharing. The  
23 idea that you can have revenue sharing is  
24 going to help you when you're losing  
25 money doesn't make any sense at all

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1 because there's not enough money to  
2 revenue share if the whole league, as a  
3 whole, is losing 300 million dollars,  
4 there's, you know, you could take away  
5 money from the top teams and give it to  
6 the lower teams, but at the end of the  
7 day, with all the reshuffling, you're  
8 still going to be losing 300 million  
9 dollars.

10 MR. SIMMONS: Do you guys regret  
11 throwing that number out? You know, it's  
12 either been 340 million or 370 million,  
13 but you've been --

14 MR. STERN: No, it's actually going  
15 down. We went from, I think, 400 to 370  
16 to 340, and this year, we're going to be  
17 at 3.

18 MR. SIMMONS: But I had --

19 MR. STERN: But no matter how you  
20 slice it, it's -- you know, and I don't  
21 mind, you know, people say oh, it  
22 shouldn't be this, you shouldn't count  
23 this, or -- okay, fine. You know, but  
24 behind closed doors, they say, listen,  
25 guys, this is what -- this is what the

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1 lawyer for the union said to us. We  
2 don't think that you should do better  
3 than break even.

4 MR. SIMMONS: Right.

5 MR. STERN: And we think that  
6 your -- you -- we think that your problem  
7 is that you've lost X, and we're prepared  
8 to help you by delivering half of X. You  
9 make up the other half X and then you'll  
10 be at even. And our owners think and  
11 say, well, we're grossing 4-plus billion  
12 dollars; we're guaranteeing the players a  
13 percentage literally off the top, and we  
14 have 5,000 other people that are  
15 generating that in addition to the 400-  
16 plus players. Taking nothing away from  
17 the importance of the players and the  
18 product and the court, but the reality is  
19 that the way those dollars get made is  
20 from the sweat of 5,000 other people, as  
21 well as the players. And the players are  
22 telling the owners and those people,  
23 well, you should be allowed to break  
24 even. That's not going to cut it.

25 MR. SIMMONS: At the same time,

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1       like, I had somebody who worked for a  
2       team tell me that they had a five million  
3       dollar loss two years ago, and they  
4       reported it as twelve. Like, there's a  
5       lot of ways for the organization, all  
6       these other ways to fudge what those  
7       numbers are, and if the numbers were that  
8       bad, why are people still buying NBA  
9       teams? Why did the Sixers get bought?  
10      Why did the Pistons get bought?

11           MR. STERN: Well --

12           MR. SIMMONS: Why, recently, did the  
13      Hawks get bought? Why are people buying  
14      into a league that's losing money?

15           MR. STERN: You know, but now you're  
16      jumping around, and it doesn't become  
17      you.

18           MR. SIMMONS: Thank you.

19           MR. STERN: If somebody was  
20      misreporting a loss, I can assure you  
21      that that isn't the case in terms of the  
22      documents we've turned over to the  
23      players.

24           MR. SIMMONS: Okay.

25           MR. STERN: We're well past that.

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1           Okay? Well past that. We've provided  
2           not only the audited reports but the  
3           state and federal income tax returns. So  
4           no one's committing any felonies here.  
5           All right? That's number one.

6           MR. SIMMONS: Well, it's not a  
7           felony. It's just you can kind of twist  
8           numbers around to how they suit you.

9           MR. STERN: No, because we invite  
10          the play --

11          MR. SIMMONS: It's Accounting 101.

12          MR. STERN: No, the players have  
13          accountants. They have economists. The  
14          numbers are there. We would be happy,  
15          and have engaged in them. And actually,  
16          they don't dispute it. So why are you  
17          disputing it? Because you have a con --

18          MR. SIMMONS: Well, they are  
19          disputing it, though.

20          MR. STERN: No, they're not.  
21          They're saying --

22          MR. SIMMONS: But that's one of the  
23          common refrains from the players --

24          MR. STERN: No, that's what the --

25          MR. SIMMONS: -- that you guys are

1           lying.

2           MR. STERN: No, no, no, no. That  
3           was said a while ago. The truth is,  
4           giving Billy Hunter his due, he says,  
5           well, we don't think you should include  
6           these two items. Okay? There's a -- you  
7           shouldn't include interest, which is an  
8           expense, and you shouldn't include  
9           amortization, which is a depreciation, I  
10          guess --

11          MR. SIMMONS: Right.

12          MR. STERN: -- which is what you  
13          do -- this is not about buying the team  
14          and depreciating or amortizing the player  
15          contract. It has nothing to do with  
16          that. We've excluded that a long time  
17          ago. What this is is if you buy a  
18          scoreboard and you spend ten million  
19          dollars for it, you're not allowed to  
20          deduct that as an expense in the year you  
21          spent it, so what you do is you  
22          depreciate it, let's say, two million  
23          dollars a year for five years. This is  
24          money that was really spent, and you  
25          account for it in five different years.

1           Somebody who says that you shouldn't  
2           count that is basically saying you  
3           shouldn't count as an expense something  
4           that you spent money on it. And that  
5           makes no sense. But even under Billy's  
6           formulation, it's, you know, if you're  
7           not losing -- were we losing 340, he  
8           would say we were losing 200.

9           MR. SIMMONS: Right.

10          MR. STERN: And so the point to us,  
11          and we're happy to move on from it is,  
12          we're not making a profit and we're going  
13          to use this collective bargaining  
14          negotiation to do what all employers do:  
15          they use it to make their business  
16          profitable.

17          MR. SIMMONS: Is it fair to say, you  
18          know, if I'm a new owner -- let's say I'm  
19          thinking about buying the Hawks. At some  
20          point, I'm going to talk to you.

21          MR. STERN: Yes.

22          MR. SIMMONS: And I'm going to find  
23          out what are your plans for this new  
24          system.

25          MR. STERN: Right.



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1           MR. SIMMONS: Where is this going?  
2           How am I sure this thing is going to be  
3           profitable?

4           MR. STERN: Well, you're not --

5           MR. SIMMONS: Is it fair to -- hold  
6           on -- is it fair to say --

7           MR. STERN: You're not sure. You  
8           can never be sure. There's no guarantee  
9           here and we're not seeking a guarantee,  
10          but what we say to an owner, we say,  
11          look, the reason you're going to be able  
12          to buy it with very little cash and at a  
13          very low valuation is because we were  
14          suffering seller fatigue. Our teams --  
15          our ownership of our teams, they're tired  
16          of writing checks. So if you write a  
17          check that is modest these days and you  
18          assume some debts, then as business  
19          gets -- and you sell tickets better than  
20          the team from whom you bought, then  
21          you're going to be able to make a profit  
22          because we're going to lower the  
23          percentage -- it makes no sense to have  
24          it at the current rate -- and between the  
25          digital world and the international

1 world, there really is a business here  
2 because artistically, our sport is at the  
3 top.

4 MR. SIMMONS: Yup. And ratings are  
5 great. But you're probably promising at  
6 least some of these teams a revenue-  
7 sharing system that's not in place yet,  
8 right?

9 MR. STERN: But there is going to be  
10 a revenue sharing. I must tell you that  
11 our owners, the ones that you like to  
12 have fun with in your --

13 MR. SIMMONS: I do.

14 MR. STERN: -- podcast which I  
15 refuse to admit that I've either listened  
16 to or read the transcripts of, you know,  
17 they're on board. The Bulls, the Lakers,  
18 the Knicks --

19 MR. SIMMONS: I'll believe it when I  
20 see it.

21 MR. STERN: -- they're saying, we --  
22 oh, I represent it to you.

23 MR. SIMMONS: All right, I'll  
24 believe it when I see it.

25 MR. STERN: They fundamentally say

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1       that we understand that we depend on  
2       other teams to come into our building and  
3       we're prepared to, you know, share  
4       revenue. Because some of our owners will  
5       tell you that when there's a huge deal  
6       that one team makes, it raises everyone's  
7       cap under a cap system.

8               MR. SIMMONS: Right.

9               MR. STERN: So there has to be an  
10       accountability of what that does, and the  
11       Lakers and the Knicks and the Bulls are  
12       all right up there. And I've never seen  
13       such unity of purpose amongst our owners.  
14       Yes, we need a new CBA and we have to  
15       accompany it with more robust revenue  
16       sharing. And revenue sharing that  
17       doesn't just give the money away but  
18       holds teams accountable for their own  
19       economic performance as well. That  
20       probably should be more contentious at  
21       some level than the CBA negotiations, but  
22       they're both proceeding at a, you know,  
23       at a similar pace. We're just further  
24       along on revenue sharing than we are on  
25       the CBA, but the contours have been

1 drawn.

2 MR. SIMMONS: Here's what I don't  
3 understand about that. I don't  
4 understand why the NBA has to have that  
5 level of revenue sharing. Like, you look  
6 at football, yeah, football makes se --  
7 the NFL makes sense to have revenue  
8 sharing because it's a TV-driven league.  
9 So much of the money they make is from  
10 the TV rights. With you guys, you're  
11 actually in a better position if the big  
12 markets are good. And if the, you know,  
13 the bigger the market, the higher the TV  
14 rating, things like that, like, it's  
15 almost doesn't totally make sense to have  
16 NBA to be good.

17 MR. STERN: No, you don't -- Bill,  
18 step back.

19 MR. SIMMONS: Okay.

20 MR. STERN: You can't say to an  
21 owner of a team that says, listen, we  
22 think you should forever be consigned to  
23 a second place or a second-class  
24 citizenship because we're going to have a  
25 system that allows teams to generate more

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1 money to do better. In fact, the NFL is  
2 exactly the opposite of that. They have  
3 huge revenue sharing through the largest  
4 source, which is network TV, but also  
5 through their gates. And so they have a  
6 history of revenue sharing that pre-dates  
7 what we do. It's already built in. And  
8 they do some modest additional revenue  
9 sharing. So they are the revenue sharers  
10 at the top of the class, and they wind up  
11 with a New Orleans or a Green Bay or a  
12 Pittsburgh in the Super Bowl. That's  
13 great.

14 MR. SIMMONS: Okay.

15 MR. STERN: That's great. And you  
16 can't tell an owner, I've got a great  
17 idea. You should come in and spend this  
18 money and obligate yourself, but really,  
19 don't ever expect to be able to challenge  
20 for a championship. We don't want to do  
21 that.

22 MR. SIMMONS: Yeah, but San Antonio  
23 did it; they were a small market.

24 MR. STERN: Okay, and there's a  
25 model to be drawn. But even San Antonio

1       has lost money because of their losses  
2       are increasing as the percentage is  
3       beginning to eat away at even the teams  
4       that were able to be profitable in the  
5       small market. So San Antonio is going to  
6       be a recipient over time. Whether they  
7       are in day one or not, if you have a  
8       robust revenue sharing system, we're  
9       going to hold teams accountable for  
10      getting the most out of their market.  
11      But if having done that, they still need  
12      help to compete, we want them to compete,  
13      they want to compete, and our large teams  
14      want them to compete.

15           MR. SIMMONS: Well, we should  
16      mention that the owner of San Antonio,  
17      Peter Holt, is probably your most  
18      respected owner and probably your most  
19      powerful owner. So I think it's  
20      interesting that you're gravitating  
21      toward this revenue sharing system that  
22      helps him. You don't see the dichotomy  
23      of that?

24           MR. STERN: I don't even -- I -- you  
25      know, we've got a labor relations

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1 committee that is composed of everyone  
2 from Jim Dolan of New York to Jerry Buss  
3 of L.A. to Clay Bennett of Oklahoma City.  
4 We are -- we are so well represented  
5 across the spectrum that's it not  
6 about -- in the NBA it's not about this  
7 powerful owner or that powerful owner.  
8 It's really a consensus amongst thirty  
9 owners that, in the case of our labor  
10 relations committee which is there to  
11 effectuate the will of the board, there's  
12 unanimity of purpose and there's  
13 agreement on all the principles.

14 MR. SIMMONS: But here's what I  
15 don't get. I mean, you've been having  
16 issues with your labor agreement  
17 basically since the mid-90s. And you  
18 go -- there's a thing on YouTube, now;  
19 NBC has this lockout special from 1998.  
20 And all the stuff that they're hitting in  
21 the special is the same stuff you guys  
22 are arguing about now. I mean, you could  
23 make the case that the players have won  
24 the last three labor deals, and now  
25 you're trying to really blow this up and

1           recreate the system.

2           MR. STERN:   Actually --

3           MR. SIMMONS:   Is it --

4           MR. STERN:   I agree that you can  
5           make the case that they won the last  
6           three negotiations.   But actually, maybe  
7           I haven't gotten any smarter, but we're  
8           not trying to blow it up.   We're actually  
9           saying, we're prepared to give you, for  
10          the most part, the benefit of the system  
11          for which you negotiated, except we have  
12          to reset it by you taking an eight  
13          percent decrease in your compensation,  
14          and we need shorter contracts, and we  
15          have to align, you know, in some ways pay  
16          for performance, which is -- you know,  
17          even one of the proposals we made --  
18          you'll appreciate this -- we said,  
19          listen, if you have a contract that's too  
20          lar -- that you want to get rid of  
21          because the player -- it's stale, the  
22          player's not performing, what we should  
23          allow our teams to do is spread it over  
24          multiple years so that the player will  
25          still get his money, but there will be



1 cap room to replace him rather than the  
2 system that we currently have where  
3 because of the cap placement of that  
4 contract, they cannot get a better player  
5 to fill that spot; they have no money.

6 MR. SIMMONS: Right.

7 MR. STERN: So this is all about  
8 making our teams more competitive,  
9 hardening the cap, and aligning pay with  
10 performance. And yes, the players are  
11 being asked to take an eight percent pay  
12 cut.

13 MR. SIMMONS: I am all for player  
14 performance stuff because -- and this is  
15 what I think the weakness in the players'  
16 union argument is, is that they take no  
17 responsibility for some of their games  
18 who have signed big contracts and then  
19 not lived up for them, gotten out of  
20 shape, kind of nailed it in. I think you  
21 guys do need to be protected from that  
22 and the logic that, wait, listen, we're  
23 not putting a gun to your head and  
24 telling you to sign that guy. Like, I  
25 don't think you can think that way, and

1           you have to take responsibility.

2           MR. STERN: I'm going to actually  
3 defend our players to some extent --

4           MR. SIMMONS: Whoa, you're defending  
5 the players.

6           MR. STERN: -- and defend our owners  
7 to some extent.

8           MR. SIMMONS: Okay.

9           MR. STERN: The money has to get  
10 paid out; we're paying out the fifty-  
11 seven percent no matter what --

12          MR. SIMMONS: Okay.

13          MR. STERN: -- under the old deal.  
14 So -- so yes, there are teams that when  
15 they start competing for real or  
16 perceived talents, they perhaps spend it  
17 on ways that they shouldn't. We come  
18 back and say, you know what, that's why  
19 shorter contracts make sense. Because  
20 then, when the bad or stale contracts or  
21 underperforming contracts expire, that  
22 can be reexpressed to players who are  
23 playing and deserve it. And the players  
24 say whoa, that's no good because you've  
25 got to be able to play for your career

1 contract. It's very important as an  
2 individual matter. And so you can see  
3 the way the discussion around the table  
4 goes.

5 And we then said we need lower  
6 guarantees of contracts, and the players  
7 said, no, the most important thing is  
8 guaranteed contracts.

9 So we said, you know what, we see it  
10 in the context of shorter contracts,  
11 we'll agree to it. And they say, well,  
12 that's no big deal; we have guaranteed  
13 contracts already. So that's the circle  
14 the negotiations go in.

15 But I think the sort of the  
16 contours, the outline of what has to be  
17 done here, a reset in the percentage, a  
18 shortening of contracts, a hardening of  
19 the cap, and the, you know, continued  
20 alignment of pay for performance, that  
21 will make this a much stronger league.  
22 It will move our teams to profitability  
23 and it will provide the basis for revenue  
24 sharing.

25 MR. SIMMONS: I agree with that.

1 But here's my counter to everything you  
2 just said. If I'm from the players'  
3 side, I don't feel like you guys have  
4 exhausted enough opportunities to make  
5 revenue from the league that you have.  
6 Like, why don't you have sponsored  
7 jerseys? How much money are you leaving  
8 on the table by not doing that?

9 MR. STERN: We're -- I know you  
10 think we're dumb, but we're not quite as  
11 dumb as you make us out to be --

12 MR. SIMMONS: I don't think you're  
13 dumb.

14 MR. STERN: -- because that's an  
15 assessment that we do continually. But  
16 once a sponsor decides that they want to  
17 spend tens of millions of dollars on  
18 sponsoring a jersey, then they're going  
19 to lower the expression of their support  
20 on team broadcasts, on network  
21 broadcasts, even on podcasts because you  
22 do have an issue. So it's not the  
23 panacea you think it is.

24 MR. SIMMONS: I don't agree with  
25 that. I --

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1 MR. STERN: Okay.

2 MR. SIMMONS: -- because I hear that  
3 sometimes from --

4 MR. STERN: Well, I'm going to hire  
5 you to sell it for us. That's all.  
6 You're on.

7 MR. SIMMONS: Listen. I just  
8 think -- I think it's a lazy way to think  
9 in terms of selling ads because people  
10 think, like, oh, they only have twenty  
11 million dollars to spend and they're not  
12 going to want to spend more. I mean,  
13 it's your job to come up with a creative  
14 way for them to spend more money on your  
15 product, right?

16 MR. STERN: By the way, I mean, you  
17 know, listen, you're talking to -- at  
18 some point, I'm going to feign  
19 indignance (sic) --

20 MR. SIMMONS: Okay.

21 MR. STERN: -- because we started  
22 out here, you know, when the -- in 1983,  
23 the first salary cap was 3.2 million  
24 dollars. Not per player.

25 MR. SIMMONS: Right.

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1           MR. STERN: Per team. Okay? With a  
2           minimum of 1.8 and an average salary of  
3           about 250. Okay? The reason that has  
4           been driven upward to the five million  
5           dollars it is and the sixty-some odd  
6           million that the cap is is because we've  
7           gotten every penny -- we've been  
8           creative; we create networks, we create  
9           dot com sites, we create categories, we  
10          create sponsorship categories, we talk to  
11          our teams about the way they sell suites  
12          and groups and club seats and local TV.  
13          So the one thing that I can tell you is  
14          that the thirty teams of the NBA and the  
15          NBA League office working together have  
16          propelled the revenues up; I would say  
17          that the largest of the beneficiaries of  
18          that are the players because they've been  
19          getting fifty-seven percent with a  
20          guarantee that even if the contracts  
21          don't quite reach fifty-seven percent,  
22          we'll write them a check for the  
23          difference.

24               MR. SIMMONS: Right.

25               MR. STERN: And so on behalf of the

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1 thousands of people who are working very  
2 hard, in all deference as you sit there  
3 in the sunshine out in Los Angeles,  
4 talking about their absence of  
5 creativity, I protest.

6 MR. SIMMONS: Right. Well, here's a  
7 good example. 1983, Rick Welts goes to  
8 Lawrence O'Brien, and he says I had this  
9 idea for an All Star weekend. You guys  
10 are making money off that weekend now,  
11 right? Like, that's a successful weekend  
12 that --

13 MR. STERN: No, we --

14 MR. SIMMONS: -- makes a little  
15 money for you.

16 MR. STERN: You know what, it  
17 doesn't matter. We consider it -- it's  
18 a -- we consider it to be -- whatever we  
19 make, we spend. It may not be the  
20 smartest thing, but what we do is we  
21 treat that as a place to entertain --

22 MR. SIMMONS: Sounds like the ESPYs.

23 MR. STERN: -- our international  
24 broadcasters, our sponsors, our  
25 licensees. It's a -- I don't think we

1 make money, but we don't lose a lot.

2 MR. SIMMONS: Okay, but you know, I  
3 can't really come up with a lot of  
4 different ideas that you guys have come  
5 up with over the last decade, other than  
6 all the stuff you've done digitally,  
7 which has been fantastic.

8 MR. STERN: Oh, you mean, other than  
9 invent -- be the first -- or, early to  
10 have a TV network, a digital TV network,  
11 to --

12 MR. SIMMONS: But you kind of sold  
13 that off, thought.

14 MR. STERN: -- to be selling our own  
15 TV in 215 countries and 43 languages, to  
16 having -- to be right there on YouTube  
17 with 600 million -- you know, 600 million  
18 video views, to do webcasts.

19 MR. SIMMONS: That's been very  
20 smart. Right.

21 MR. STERN: To do -- I mean, and  
22 actually, in terms of sponsorships, to --  
23 you name it, we wrap it. We were the  
24 first to do pole wraps, vomitoriums (sic)  
25 in the building, you know, the edges of



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1 the floor, underneath the scoreboards.

2 Come on, Bill. You sit there; look

3 around when you go to a Clipper game.

4 MR. SIMMONS: Well, so you're saying  
5 that you basically have done your job,  
6 you've done everything you can do, and  
7 now you just take money from the players,  
8 and that's --

9 MR. STERN: No, no, no, no. We will  
10 actually -- actually, to the contrary.  
11 We continue to do our job. We will  
12 continue to raise the money and we will  
13 spend whatever it takes to raise it. But  
14 if you have to pay fifty-seven percent  
15 out of every dollar, you can't do it. So  
16 we need a better split. It's not that we  
17 only get it from the players, but to the  
18 contrary, we're projecting robust revenue  
19 sharing growth -- robust revenue growth  
20 and we will be able to share and the  
21 players will take a percentage that makes  
22 sense.

23 And I just might add here, the NFL,  
24 the most profitable of all sports  
25 leagues, says it wants to be more

1           profitable, its players agreed to a  
2           double-digit concession --

3           MR. SIMMONS:   Yeah.

4           MR. STERN:   -- and our players say  
5           no, sorry, can't work.  There's  
6           something -- there's something wrong with  
7           this picture, and that's why, actually, I  
8           think that the picture will come into  
9           clearer focus as our players come to  
10          understand what the owners actually are  
11          offering and what they've done to open  
12          their books and why they want to make the  
13          changes that they want to make.

14          MR. SIMMONS:   Question:  If the big  
15          markets generate the most revenue for the  
16          league, why don't you put more teams in  
17          the big markets?  Or does that make too  
18          much sense?

19          MR. STERN:   Well, I would say that  
20          then they wouldn't be big markets  
21          anymore.  They'd be split markets, and  
22          you don't know for sure what the impact  
23          is of having yet additional teams in.  
24          And there is a certain appeal to having a  
25          national league represent us on a

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1 national basis, rather than having all of  
2 your teams in the greater L.A. area or  
3 the greater New York area.

4 MR. SIMMONS: Yeah, but you have  
5 twenty-five cities --

6 MR. STERN: You could,  
7 theoretically, put seven teams in each of  
8 New York and L.A., but I must say, having  
9 grown up as a baseball fan and learned  
10 about cities in this country from  
11 baseball, I think there's a really good  
12 reason to make yourself into a national  
13 sport.

14 MR. SIMMONS: Yeah, but if I'm in  
15 a -- if I'm buying into the NBA, I have a  
16 much better chance in succeeding in  
17 Anaheim than I do in New Orleans or  
18 Charlotte. I have a much better chance  
19 of succeeding as the second Chicago team  
20 than succeeding in New Orleans,  
21 Charlotte, Memphis, a bunch of these  
22 other cities. Like, at some point, don't  
23 you have to think more logically about  
24 revenue?

25 MR. STERN: They -- yes, you may or

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1       you may not, and that's what you have to  
2       say when you analyze and look at the  
3       numbers. The fact of the matter is that  
4       New Orleans, we're now approaching 9,000  
5       season tickets. There's a -- we're  
6       looking at a possible new cable deal.  
7       We're having a very large impact on  
8       sponsorships, and there's state subsidy  
9       right now which we're seeking to have  
10      continued, and when we complete all of  
11      that, I think the team will be, you know,  
12      not a small market team in terms of  
13      revenue, and there'll be a very good  
14      chance at having a buyer say I want that  
15      team, and I want it in that market.

16           MR. SIMMONS: But you've -- I mean,  
17      we're over a year now where nobody has  
18      said that.

19           MR. STERN: No, no, there are many  
20      people who say it, but we don't want to  
21      do it yet because we want to get it ready  
22      for prime time, so to speak. We want to  
23      make sure we get the season tickets up to  
24      10,000. We want to develop a robust  
25      revenue sharing model if they need it.

1 Under our theory of going forward, we  
2 think that if we do the sponsorship, we  
3 do the cable, we do the season tickets  
4 and the suites, it won't even need  
5 revenue sharing. And so we've had four  
6 or five people come to us, and we said,  
7 we're not ready yet. We'll talk to you  
8 after -- after all these things are put  
9 in place and after the new collective  
10 bargaining agreement is done so we know  
11 what the future's going to hold.

12 MR. SIMMONS: Right. You know,  
13 Billy Hunter, he said a bunch of stuff.  
14 He's been lobbying grenades left and right  
15 the last two months. You haven't totally  
16 responded. How have you been able to  
17 keep your cool with all that stuff?

18 MR. STERN: Because there's  
19 something -- because I have been working  
20 for the players longer than Billy has.

21 MR. SIMMONS: That's a fair --

22 MR. STERN: My work goes back forty  
23 years. And I'm very proud, even though  
24 you can tell me that I've been out-  
25 negotiated three times, excepting that,

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1 I'm still proud of the place we've come  
2 to, the salaries that the players are  
3 making -- they make it because 5,000  
4 people at the teams and the league office  
5 worked very hard, and I'm invested in  
6 keeping the rhetoric down so we can  
7 continue the growth that our players have  
8 had. And in this day and age, given the  
9 economic circumstances that are going on  
10 out there, with respect to the stock  
11 market, with respect to the European  
12 countries that look like they are  
13 falling, with respect -- and as an  
14 economic matter, and with respect to  
15 getting owners to both buy teams and  
16 continue to invest in them, lobbying  
17 grenades is not a good thing to do. It's  
18 not good for business. It's not good for  
19 sponsors; it's not good for fans. And so  
20 we're trying to keep ourselves aligned in  
21 the right way, and we think -- and we  
22 think that Billy is going to do the same  
23 thing.

24 MR. SIMMONS: Billy said about you,  
25 "I don't think he has the sway that he

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1           once did. I'm not saying that he's not  
2           the commissioner and doesn't have the  
3           power to act, but I don't know that he  
4           has the unfettered dying support that he  
5           had before. Maybe there's a little crack  
6           in the dike." What did you think of  
7           that?

8           MR. STERN: I smiled at it. He  
9           gives great fodder to my owners who want  
10          to say, you see, David, your  
11          vulnerability is showing. Why are you  
12          telling us what to do and why are we  
13          listening to us (sic). We should  
14          listen -- why are we listening to you?  
15          We should listen to Billy Hunter. I  
16          think that if anything, without making it  
17          about me, our owners are united, and  
18          there are no cracks in the ownership.  
19          The blogosphere is, like, buzzing with  
20          all of these owners who are supposedly  
21          driving the collective bargaining. The  
22          blogosphere has it all wrong.

23          MR. SIMMONS: Right.

24          MR. STERN: It's absolutely just a  
25          fiction, as is the idea that our owners